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C O N F I D E N T I A L SECTION 01 OF 03 PRAGUE 000661

SIPDIS

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SUBJECT: SCENESETTER FOR VISIT TO PRAGUE OF UNDER SECRETARY
ELLEN TAUSCHER

Classified By: Charge Mary Thompson-Jones for reasons 1.4 (b) and (d).

¶1. (C) Under Secretary Tauscher: Your visit to the Czech Republic comes as we move forward from Vice President Biden's October 23 visit and the November 6 High Level Defense Group (HLDG) meeting toward shaping a vision for the future of our partnership. While Czech transatlanticists expressed initial disappointment about the results of our missile defense policy review, as you know from your September 17 visit, they have constructively engaged with us and are seeking new avenues of cooperation. You will find the atmosphere ripe for continued discussion of our joint future. Your visit comes on the eve of a significant Czech anniversary in a year of important milestones: the fifth anniversary of the Czech entry into the EU, the tenth of their membership in NATO, and on November 17, the twentieth anniversary of the Velvet Revolution. These events reflect the strength of Czech determination to remain anchored within the West.

¶2. (C) Czech interest in expanded cooperation was evident during the Vice President's visit, and his meetings with government and political leaders set the stage for productive and detailed discussions at the HLDG meeting. Czech expectations were particularly high, given Biden's encouragement of Czech participation in the new Phased Adaptive Approach (PAA) to missile defense. The Czechs continue to be eager for a meaningful part they can play while we work with NATO to develop a new missile defense architecture, and as we broaden aspects of our bilateral security cooperation. Czech transatlanticists' concerns about Russia's expanding influence in the region, particularly in energy security, drive them to seek tangibly stronger ties with the U.S. At the same time they worry that America's role is diminishing in the minds of a more Brussels-oriented younger generation of Czechs. Czechs who take this approach welcomed the Vice President's assurances that the U.S. will work multilaterally, including through NATO.

Strategic Military Cooperation

¶3. (C) In the wake of the results of the missile defense policy review, Czechs emphasized their desire to be involved in a substantive way in the PAA and pressed for details. With Vice President Biden having identified the HLDG as the group tasked to flesh out the specifics of these arrangements, expectations were high. Although at the HLDG Deputy Minister of Defense Fulik and his delegation were willing to discuss broad strategic relationships, they stressed what they characterized as an urgent need to demonstrate to the public that the Czech Republic's role in the new architecture is not simply a technical detail waiting to be defined at a later date, but an "uninterrupted" continuation of a Czech-U.S. missile defense partnership. The Czechs expressed a desire to take part in the actual

shaping of the new architecture itself by immediately sending a permanent liaison officers (LNO) to the Missile Defense Agency. MDA explained that it is not currently in a position to host a permanent LNO, but offered to host temporary visits of 4-6 weeks. The MDA's relocation to Huntsville, along with disclosure requirements, would make it difficult to host a permanent LNO. The Czechs may again raise the idea with you.

The initial Czech response to our proposal at the HLDG to provide shared early warning (SEW) missile launch data -- possibly, though not necessarily, as a first step toward situational awareness or consequence management capabilities that might be integrated in the new architecture -- was noncommittal, though in a follow-on bilat with A/S Vershbow, Defense Minister Bartak was enthusiastic and identified SEW as the kind of joint project the Czechs are seeking.

Non-Proliferation

¶4. (C) The Czech government and Czech political parties have historically backed strong non-proliferation measures and their universal application. As an EU member, the Czech government's public position is consistent with the EU position. The Czech government, and public, support U.S.-Russian arms control efforts, although some Czechs are skeptical of Russian compliance -- a fact clearly in evidence among MoD and MFA interlocutors during the HLDG meeting. At the HLDG Czech officials expressed pessimism about getting the Russians to participate in the CFE data exchange and criticized Moscow's position on defensive missiles and START. Czechs across the political spectrum would oppose bilateral arms control negotiations that included matters

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related to Czech or Central European security, if the Czech Republic was not included or consulted.

Other Issues Addressed by HLDG

¶5. (C) During his meeting with Vice President Biden, Prime Minister Fischer highlighted Czech interest in acquiring C-130s. He stated that "we want to negotiate the price and revisit this issue." However, in a sign of recognition that even a trimmed price was still beyond their means, the Czechs ultimately tabled the current C-130 offer at the HLDG, with Deputy Defense Minister Fulik noting that it was time to seek other solutions to the continued Czech need for airlift capability, perhaps through a future government-to-government deal. Fischer also commented to the Vice President that Czechs feel they receive too little FMF in comparison with Poland; however, the Czechs were reminded at the HLDG that USD 10 million of their FMF allocation remains unspent, and that it would be difficult to persuade Congress to increase their funding while current funds are unused. (Note: According to Embassy's ODC head, this figure of USD 10M is a bit misleading. Of this sum, USD 3M was just granted to the Czechs on September 30, 2009. The Czechs also have Letters of Request (LORs) worth USD 2.85M and normally the USG typically issues Letters of Offer and Acceptance (LOAs) four to six months after receiving an LOR. Post's ODC section estimates that in all probability the Czechs have approximately 2.8-3 percent of their total program still available to spend. End Note.)

¶6. (C) With respect to research and development cooperation, PM Fischer stated that the Czechs would like this not just in the military sphere, but in a broader range of fields, and he expressed his appreciation for the upcoming establishment in Embassy Prague of the Office of Naval Research (ONR). He also touched upon the Research, Development, Testing and Evaluation (RDTE) Agreement as a key step, commenting that the Czechs would like to finalize legal work on this as soon as possible. Following up on these issues at the HLDG meeting, the U.S. delegation emphasized that the RDTE Agreement is merely the platform allowing for cooperative

efforts, and that specific projects that are worthwhile for both sides had to be identified and proposed to make the Agreement a truly fruitful one. Here a potential role for the ONR was highlighted. You may wish to emphasize the importance of the Czechs taking the initiative to propose specific projects they think appropriate for joint efforts.

¶7. (C) Significant challenges remain in the defense procurement arena due to a Czech legal requirement that any foreign defense contractor selling to the Czech government work through an intermediary. These intermediaries add commissions to every public sector procurement project, basically inflating the acquisition costs with no value added. Attempts to revise the laws have been unsuccessful, and senior defense officials have requested U.S. Embassy assistance in having U.S. companies pressure the intermediaries to keep prices down. In addition, the Czech MoD makes significant use of sole-source contracting venues. Allegations of corruption against current and former government officials are prevalent. In response to their questions about the status of a Reciprocal Defense Procurement Agreement during the HLDG session, the Czechs learned that we are still assessing the transparency of their procurement system with these issues in mind, and that a draft agreement would not be ready any sooner than in early ¶2010.

A Capable Interim Government

¶8. (C) After Prime Minister Mirek Topolanek's government fell on March 24, President Vaclav Klaus appointed an interim caretaker government to lead until early elections. The caretaker government, led by former Director of the Czech Statistical Office Jan Fischer, assumed leadership on May 8 and had a limited mandate until early elections, which were supposed to occur in the first half of October. A decision by the Constitutional Court scuttled the October elections and a subsequent agreement by the dominant parties in Parliament to hold early elections in November fell apart. Now the parliamentary elections will most likely occur in May ¶2010. Despite its limited mandate, PM Fischer's government has proven effective and adept. Swift passage of the foreign military deployment bill and an economic austerity package proved Fischer's political acumen and bolstered his credibility with the public. His administration appears

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capable of making the tough decisions that will be necessary to complete the 2010 budget process. As well, the Czech Republic remains a steady supporter of U.S. and NATO priorities. Indeed, some key current and former Czech leaders would prefer to see more engagement by the USG with Central Europe and have expressed this in a widely circulated Open Letter to President Obama in July 2009. Defense Minister Martin Bartak remains fully committed to strengthening cooperation with the United States and supporting the effort in Afghanistan.

Economy

¶9. (SBU) The small, open, export-oriented Czech economy is now struggling with the effects of the global economic downturn. Although there are signs that the worst of the economic slowdown may be over, the economy is expected to contract by roughly four to five percent for all of 2009. While the IMF expects the Czech economy to grow by 1.3 percent in 2010, the Czech Ministry of Finance is forecasting growth of only 0.3 percent, partly due to recently passed tax increases designed to control the ballooning budget deficit. The Czech budget deficit was only 1.2 percent of GDP in 2008 but is expected to exceed 5 percent for the next several years, prompting significant cuts in discretionary spending. As a result the defense budget has shrunk to less than 1.4 percent of GDP, though the MoD is hopeful that its 2011

budget will be more generous.

Czech Cooperation in Afghanistan

¶10. (SBU) In Afghanistan, the Czechs have approximately 500 military and civilian officials. The Czechs have launched a provincial reconstruction team (PRT), deployed a Special Forces unit, and sent experts to an Operational Mentoring and Liaison Team (OMLT) for helicopters in Afghanistan. The PRT in Logar is the flagship of Czech involvement. Based at FOB Shank in Pole-Alam, the total strength of the Czech PRT was increased in early 2009 from about 210 to 275 and now includes four infantry platoons. The Czech PRT began operations in March 2008, a period that coincided with a deteriorating security situation in the province (Czechs suffered three KIA in the first months of operation). Despite the security challenges, the Czech PRT got off to a fast start and generally received high marks for its approach to reconstruction and partnerships with local government and tribal leaders. At the heart of the Czech PRT is its team of civilian experts (eight to ten persons strong) that possess specific skills relevant to Logar Province (agriculture, aquifer management, public health, education, etc). Fischer also highlighted that his government has made a specific proposal on L-159s for Afghan forces, and we have provided the Czechs with detailed information about how an eventual selection process will occur.

¶11. (C) The Czech Special Forces detachment, which has been deployed in its entirety for some time, will depart Afghanistan by December 2009. Defense Minister Bartak has directed that the unit be prepared to deploy again by December 2010. The Czechs have already requested assistance in refitting these forces (particularly with radios) and are likely to request additional assistance with training. Also the Czechs are currently deploying a 100-man Mi-17 helicopter detachment (to include 3 Mi-17 helicopters) to Logar. The advanced party is in place and the personnel main body will follow in mid-December to conduct familiarization training. The helicopters will not arrive until mid-January due to refurbishment and final certification requirements.

¶12. (C) The Czechs have also decided to deploy a ground force OMLT in summer of 2010. While the actual requirement for the OMLT is still being developed with NATO, the Czechs are moving forward with activating and training the required forces. We expect a request for equipping and training assistance, but have not yet seen any details.
Thompson-Jones